



UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF
SPECIAL INVESTIGATIONS DIVISION
MAY 2006

THE IMPACT OF PRESIDENT BUSH'S BUDGET ON VETERANS' HEALTH CARE IN MARYLAND

PREPARED FOR REP. BENJAMIN L. CARDIN

TABLE OF CONTENTS

Executive Summary	1
Background	2
Findings.....	4
Thousands of Veterans in Maryland Would Be Forced Out of VA Health Care	4
Veterans in Maryland Who Continue to Receive VA Care Would Pay Hundreds of Dollars Annually in Increased Costs.....	5
Conclusion	5

EXECUTIVE SUMMARY

On February 8, 2006, President Bush proposed a \$31.5 billion budget for the Department of Veterans Affairs. Veterans groups have indicated that this budget falls over \$1 billion short of meeting veterans' healthcare needs. To make up a significant part of the shortfall, the Administration proposes to deny care to hundreds of thousands of veterans and to charge millions more a \$250 annual enrollment fee while doubling copayments for prescription drugs.

At the request of Rep. Benjamin L. Cardin, this report analyzes the impact these proposals would have on veterans in Maryland. The report finds that the proposed changes would cause an estimated 25,000 Maryland veterans, including an estimated 3,300 veterans in Rep. Cardin's district, to be denied VA health care or to drop out of the VA system, while increasing costs for thousands more. Specifically:

- **The budget proposals would deny care to over six thousand veterans in Maryland.** The President's budget would continue to freeze VA enrollment for "Priority 8" veterans, preventing an estimated 6,500 veterans in Maryland from enrolling to receive care. Locally, this provision would prevent almost 900 veterans in Rep. Cardin's district from enrolling in the VA health care system.
- **The increased fees would force thousands of veterans in Maryland to drop out of the VA health care system.** An estimated 18,000 veterans in Maryland would be unable to pay the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. Locally, an estimated 2,400 veterans in Rep. Cardin's district would be forced drop their VA enrollment.
- **The increased fees would cost veterans in Maryland millions of dollars.** Many veterans in Maryland would remain in the VA system but be forced to pay more for their health care. These veterans would face average cost increases of over \$500 annually. The total additional cost for veterans in Maryland would be \$9.6 million annually. Increased costs for veterans in Rep. Cardin's district would be \$1.3 million annually.

BACKGROUND

The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. Statewide, the VA provides care to approximately 122,000 veterans.¹ Another 365,000 veterans in the state are eligible to receive care.² In Rep. Cardin's district, VA provides care to approximately 15,000 veterans, and another 45,000 veterans in the district are eligible to receive care.³

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. In 1996, Congress passed the Veterans Health care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by almost 300%, from 2.9 million in 1996 to an estimated 7.5 million in 2003.⁴ Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.⁵

The President submitted his fiscal year 2007 budget to Congress on February 8, 2006. This budget proposed spending \$31.5 billion for veterans health care in fiscal year 2007.⁶ According to veterans groups, the budget proposal was over \$1 billion short of the funding necessary to meet veterans needs.⁷

Leading veterans groups have described the budget as "coming up short of what's needed to honor America's commitment to veterans" and failing to "guarantee that sick and disabled veterans have timely access to quality medical care."⁸ Democrats in Congress said that the budget "clearly does not deliver the

¹ Department of Veterans Affairs, *FY 2004 Enrollment* (Feb. 2005).

² *Id.*

³ *Id.*

⁴ *Id.* Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁵ Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁶ Department of Veterans Affairs, *FY 2007 Budget Submission* (Feb. 2006).

⁷ The Independent Budget, *White House Budget Proposal Close, But Not A Winner* (Feb. 10, 2006).

⁸ Paralyzed Veterans of America, *Paralyzed Veterans of America Calls Administration's Budget Proposal Woefully Inadequate, Forcing Some Veterans to Pay for the Health Care of Others by Increasing Fees and Co-Payments* (Feb. 8, 2006).

necessary resources to provide veterans with the health care and benefits they have earned.”⁹

As part of its budget proposal, the Administration requested that Congress raise almost \$3 billion over the next ten years from veterans receiving VA health care. The Administration proposal would do this by denying care or increasing fees for care paid by two large classes of veterans: the so-called “Priority 7” and “Priority 8” veterans.¹⁰

Priority 7 veterans are veterans whose injuries are not service-related and whose income is more than \$24,644 (\$29,576 for a veteran with a dependent) but less than 80% of the community’s median income.¹¹ Priority 8 veterans are veterans whose injuries are not service related and whose incomes are higher than Priority 7 veterans.¹² Together, these two classes of veterans represent 41% of the veterans currently receiving VA health care.¹³

One provision proposed by the Administration would continue to halt enrollment of new Priority 8 veterans, denying them access to any VA care.¹⁴ Under this proposal, which continues a policy started in January 2003, all Priority 8 veterans who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

A second provision proposed by Administration would charge all Priority 7 and Priority 8 veterans who are in the VA system a \$250 annual enrollment fee in order to receive care.¹⁵ This would represent a new policy for the VA, which to date has never charged veterans an enrollment fee. A final provision would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.¹⁶ Taken together, these provisions would raise over \$3 billion in new revenues over the next ten years.¹⁷

⁹ Rep. Lane Evans, Press Release, *VA Budget Greeted Skeptically* (Feb. 8, 2006).

¹⁰ Department of Veterans Affairs, *supra* note 6.

¹¹ Department of Veterans Affairs, *Health Benefits Eligibility* (2005).

¹² *Id.*

¹³ Department of Veterans Affairs, *supra* note 6, at Volume 4, 3B-5.

¹⁴ *Id.*, at Volume 4, 3B-5.

¹⁵ *Id.*, at Volume 1, 8-2.

¹⁶ *Id.*, at Volume 1, 8-4.

¹⁷ *Id.*, at Volume 1, 8-2 – 8-4..

FINDINGS

Thousands of Veterans in Maryland Would Be Forced Out of VA Health Care

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of veterans in Maryland. First, it will mean that veterans who otherwise would have been able to receive care will not be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will deny care to over 500,000 veterans nationwide.¹⁸ Of these 500,000 veterans who will be denied care, an estimated 6,500 reside in Maryland.¹⁹ This includes an estimated 870 Priority 8 veterans who live in Rep. Cardin's congressional district.²⁰

In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of \$250. Nationwide, VA estimates that 1.1 million veterans, 49% of all Priority 7 and Priority 8 veterans, would be forced to drop out of the VA system because of these fees.²¹

Thousands of these veterans are Maryland residents. Presently, there are an estimated 37,000 Priority 7 and Priority 8 veterans enrolled in the VA health care system in Maryland.²² If 49% of these veterans were forced to drop out of the VA system, an estimated 18,000 enrolled Maryland veterans would no longer have access to VA care.

Within Maryland, many of these veterans are from the Rep. Cardin's congressional district. Locally, an estimated 2,400 veterans from the district would be forced to drop VA enrollment due to the new fees.

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the

¹⁸ Committee on Veterans Affairs, Democratic Staff, *Priority 8 Veterans Barred from Enrolling for VA Health Care by State as a Result of the Administration's Continuing Policy to Prohibit New Enrollment* (2005).

¹⁹ *Id.*

²⁰ VA data indicate that 13% of Priority 7 and Priority 8 veterans receiving care in Maryland reside in the 3rd Congressional District. Department of Veterans Affairs, *FY 2004 Enrollment* (2005). The analysis assumes that the same percentage of Priority 8 veterans who are denied care live in the 1st District.

²¹ Department of Veterans Affairs, *supra* note 6, at Volume 4, 3B-5.

²² Department of Veterans Affairs, *supra* note 1.

increased fees, an estimated 25,000 Maryland veterans, including an estimated 3,300 veterans in Rep. Cardin's district, would lose access to the VA health care system.

Veterans in Maryland Who Continue to Receive VA Care Would Pay Hundreds of Dollars in Increased Costs Annually

For thousands of veterans in Maryland who remain enrolled in the VA program, there would be significant new costs under the Administration's proposal. Not only would Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they would also have to pay increased copays for prescription drug fees. The Bush Administration estimates that the increased copays would cost veterans in the program an average of \$260 annually.²³ Overall, between the increased copays and the \$250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program would pay a total average increase of \$510 annually.

Statewide, if the President's proposal goes into effect, an estimated 19,000 Priority 7 and Priority 8 veterans in Maryland would likely remain in the VA health care system in the state. Collectively, these veterans would pay an estimated \$9.6 million annually in increased costs for VA care.

In Rep. Cardin's district, if the President's proposal goes into effect, an estimated 2,500 Priority 7 and Priority 8 veterans would be likely to remain in the VA health care system in the state. Collectively, these veterans would pay an estimated \$1.3 million annually in increased costs for VA care.

CONCLUSION

This report analyzes the impact of cutbacks in VA health care proposed in President Bush's budget. The proposals would deny care to approximately 6,500 veterans at VA facilities in Maryland, and force an estimated 18,000 veterans in the state to drop their VA enrollment. The proposals would also increase the cost of health care for many veterans who remain in the program by an annual average of \$510 per veteran, costing veterans in the state an estimated \$9.6 million dollars annually.

²³ The VA estimates that the increased copays will impact approximately 1.1 million veterans and that the VA will collect approximately \$288 million in copays from these veterans. Department of Veterans Affairs, *supra* note 6, at 8-4.